

Morning Note – 15th October 2021

SPINEGUARD

Q3: a complex situation in the US

- The pandemic remains poorly managed in some US states
- DSG Connect well received, try still needs to be transformed
- Fair value adjusted following drawdowns of financing lines

Pandemic still disrupts intervention schedules

SpineGuard published last night its Q3 turnover of EUR1.02m, down -23% (vs EUR1.33m in Q3 2020). 1,167 PediGuard units (all ranges) were sold (vs 1,424 in Q3 2020). Activity in the US is very fluctuating. After a rebound in Q2 (+15%), the decline was marked in Q3 (-31% of units sold). In the rest of the world, after a solid Q1 (+21%), a very strong Q2 (+155% units sold), sales stabilised (-2%). These figures are disappointing and logically below our expectations (EUR1.4m). They reflect the uncertainties in the US with the persistence of covid cases in various states where the vaccination rate is low (but also the refusal to vaccinate by healthcare workers). The impact is real on the daily planning of various hospitals which are obliged to prioritise operating theatres to critical pathologies, postponing certain spinal surgeries. Furthermore, relaunching the activity after the safeguard period requires time (doubts about the group's sustainability under chapter 11 for several months). The new sales team recently recruited seems to be taking concrete action, the effects of which should be seen in Q4 and in 2022.

DSG connect: a platform with definite virtue

DSG connect (an improved version providing a visual reading of the Pediguard signal) has been very well received by surgeons. Although competition from robots with navigation systems is strong today, DSG connect meets a major need to preserve know-how and the mastery of "manual" procedures. This is a very sensitive subject because young surgeons are only familiar with the era of the robot and assisted surgery. DSG connect responds to the need to train future surgeons in these traditional approaches without sacrificing their thirst for technological content, in addition to tracking the events that occur during the operation (legal risk management). DSG connect must now prove itself in the field. The launch is somewhat tricky as the SpineGuard' teams need to educate doctors in the operating theatre where access is currently limited (covid risk management). However, 2022 should see improvements in this area.

Valuation and rating

The performance in the US is disappointing. The hazards of the pandemic are real and regular growth is far from assured. That said, the group has cash, assets to regain its brands in its historical markets and also to generate increasing interest in its innovations (robotics, dental, etc.). Following the issue of new shares (drawing down of financing lines), we are adjusting our fair value to EUR 1.70/share but remain positive on the company in the long term.

Next communication: FY revenues January (after market) – to be defined

France - Medtech

BUY

Fair value (EUR)	1.70 (vs 2.15)
Price (EUR)	1.274
Upside/down side	+33.4%

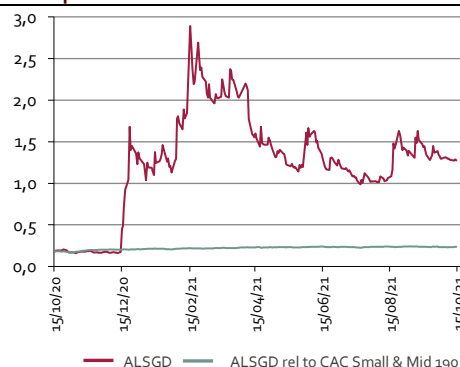
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Stock data (2021-10-14)

ISIN	FR0011464452
Ticker	ALSGD.PA
Price (EUR)	1.274
Market capitalisation (EURm)	37.8
Free float (%) est.	91.6
Floating capitalisation (EURm)	34.6
Number of shares (,000)	29,635
Average daily volume (3 m)	880,426

12m performance



Change (%)	1 m	3 m	12m
Absolute	-11.8	+19.1	+605.8
Rel. to CAC SM190	-12.2	+16.4	+574.9
Rel. to Next Biotech	-8.9	+16.5	+612.8

Financials (31/12)

EURm	2020	2021E	2022E	2023E
Sales	4.9	5.6	6.7	8.1
EBITDA	-1.5	-0.3	0.3	0.9
EBIT	-1.8	-0.6	0.0	0.6
Net income	-2.7	-1.2	-0.4	0.4
EPS (EUR)	-0.10	-0.04	-0.01	0.01
Net debt	4.4	3.2	1.5	0.1

Key ratios

	2020	2021E	2022E	2023E
EV/Sales	7.9x	7.4x	5.9x	4.7x
EV/EBITDA	na	na	119.6x	40.7x
EV/EBIT	na	na	1578.9	61.1x
PER	na	na	na	108.5x
ROIC	na	na	1%	16%
ROE	na	na	na	8%
EV/IC	9.4x	9.3x	9.5x	9.5x
Gearing	na	220%	49%	2%

Profit and Loss

As of 31/12 (EURm)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	7.46	8.17	7.58	6.83	4.85	5.55	6.71	8.14
Change n-1	17.6%	9.5%	-7.3%	-9.9%	-29.0%	14.4%	20.9%	21.3%
Other revenues	-	-	-	-	-	-	-	1.00
Total revenues	7.46	8.17	7.58	6.83	4.85	5.55	6.71	9.14
Gross margin	6.35	6.95	6.55	5.77	4.04	4.81	5.82	7.08
EBITDA	-3.31	-2.66	-0.86	-0.14	-1.49	-0.33	0.33	0.94
Change n-1	11%	20%	68%	84%	-993%	78%	202%	-183%
Depreciation & amortisation	0.33	0.31	0.26	0.30	0.35	0.30	0.31	0.32
Goodwill	-	-	-	-	-	-	-	-
EBIT	-3.63	-2.96	-1.11	-0.43	-1.84	-0.63	0.03	0.63
Change n-1	9%	18%	63%	61%	-326%	66%	104%	-2393%
Net financial income	-0.54	-1.16	-1.21	-0.64	-0.84	-0.53	-0.40	-0.28
Minorities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net profit before tax	-4.18	-4.13	-2.32	-1.07	-2.68	-1.16	-0.38	0.35
Tax	-	-	-0.02	0.39	-0.04	-	-	-
Net in come	-4.18	-4.13	-2.33	-0.69	-2.72	-1.16	-0.38	0.35
Change n-1	-8%	1%	43%	71%	-296%	57%	67%	193%
EPS	-0.82	-0.72	-0.34	-0.05	-0.12	-0.04	-0.01	0.01
EPS fully diluted	-0.75	-0.65	-0.31	-0.05	-0.10	-0.04	-0.01	0.01
Gross margin (% of sales)	85.1%	85.1%	86.5%	84.5%	83.2%	86.6%	86.8%	87.0%
EBITDA (% of sales)	NA	NA	NA	NA	NA	NA	5.0%	11.6%
EBIT (% of sales)	NA	NA	NA	NA	NA	NA	0.4%	7.7%
Net margin (% of sales)	NA	NA	NA	NA	NA	NA	NA	4.3%

Cash Flow statement

Au 31/12 (MEUR)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Net income	-4.18	-4.13	-2.33	-0.69	-2.72	-1.16	-0.38	0.35
Depreciation and amortisation	0.33	0.31	0.26	0.30	0.35	0.30	0.31	0.32
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in WCR	-1.01	0.26	-0.08	0.27	0.64	-0.51	0.34	0.29
Others	0.83	1.05	1.49	0.71	1.04	0.88	0.75	0.68
Cash-flow from operations	-4.03	-2.51	-0.67	0.60	-0.68	-0.48	1.03	1.63
Capex	-0.06	-0.05	-0.05	-0.08	-0.05	-0.08	-0.08	-0.08
Free cash flow	-4.09	-2.56	-0.72	0.52	-0.73	-0.56	0.95	1.55
Acquisitions	-0.09	-	-	-0.15	-0.15	-0.15	-0.15	-0.15
Divestments	0.01	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Capital increase	0.42	2.21	1.68	1.75	1.75	2.00	1.00	-
Financing (bank and others)	2.87	0.01	4.64	0.22	0.01	-	-	-
Others	-0.54	-0.26	-5.73	-1.54	-0.99	-1.25	-1.19	-1.13
Change in cash over the period	-1.42	-0.61	-0.13	0.80	-0.12	0.03	0.61	0.28
Opening cash position	3.23	1.80	1.19	1.05	2.01	2.03	2.22	2.97
Closing cash position	1.80	1.19	1.06	1.85	1.89	2.07	2.82	3.25

Balance sheet

Au 31/12 (MEUR)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Fixed assets	0.18	0.14	0.12	0.63	0.50	0.43	0.35	0.26
Intangible assets	1.11	0.90	0.72	0.72	0.69	0.55	0.40	0.25
Goodwill	3.08	3.08	3.08	3.08	3.08	3.08	3.08	3.08
Financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	1.02	0.81	0.84	0.66	0.66	0.55	0.67	0.81
Account receivables	1.41	1.38	1.32	0.95	0.71	0.93	1.13	1.37
Other receivables	0.68	0.54	0.59	0.55	0.67	0.48	0.55	0.66
Cash and cash equivalents	1.80	1.19	1.06	1.40	1.22	1.41	2.16	2.59
Prepaid expenses	-	-	-	-	-	-	-	-
Other non-current assets	0.13	0.12	0.13	0.50	0.51	0.51	0.51	0.51
Total assets	9.41	8.15	7.86	8.50	8.06	7.94	8.85	9.53
Equity	1.19	-0.21	-0.50	0.59	-0.01	1.46	3.03	4.28
Others	-	-	-	-	-	-	-	-
Provisions	0.07	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Financial debt	6.00	6.23	6.07	6.08	5.64	4.63	3.65	2.66
Account payables	1.19	1.04	1.16	1.04	1.34	0.70	0.85	1.03
Other debts	0.96	0.98	0.81	0.62	0.88	0.93	1.12	1.36
Deferred income and other liabilities	-	0.06	0.26	0.11	0.15	0.15	0.15	0.15
Total liabilities	9.41	8.15	7.86	8.50	8.06	7.94	8.85	9.53

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